TRAINERS' HOUSE GROUP'S INTERIM REPORT FOR 1 JANUARY – 31 MARCH 2015

Trainers’ House Group’s operating profit before non-recurring items showed a profit for the first quarter of 2015

January – March 2015 in brief (the figures are figures for the company’s continuing operations)

- Net sales amounted to EUR 1.8 million (EUR 2.2 million).
- Operating profit (EBIT) before non-recurring items was EUR 0.1 million (EUR -0.2 million), or 3.7% of net sales (-8.2%).
- Operating profit was EUR -0.2 million, or -10.7% of net sales (EUR -1.8 million, -84.5%).
- Cash flow from operating activities was EUR -0.0 million (EUR -0.3 million).
- Earnings per share were EUR -0.00 (EUR -0.03).

Key figures at the end of the first quarter of 2015

- Liquid assets totalled EUR 1.6 million (EUR 2.0 million).
- Interest-bearing liabilities amounted to EUR 7.1 million (EUR 7.4 million), and interest-bearing net debt totalled EUR 5.5 million (EUR 5.4 million).
- Net gearing was 296.8% (92.0%).
- Equity-to-assets ratio 14.9% (34.4%)

OUTLOOK FOR 2015

Key factors affecting the continuation of the company’s business operations and its financial performance are the success of the company’s corporate restructuring proceedings and the measures that may be decided upon as part of the restructuring process. The content or success of these measures is not currently known. Moreover, the company expects the general economic situation to remain difficult, at least in the short term. For these reasons, the company will not issue a more detailed profit estimate for the time being.

REPORT OF ARTO HEIMONEN, CEO

The profitable operating profit before non-recurring items was encouraging and exceeded my expectations. In addition, after the reporting period on 14 April 2015, the company gave notice of termination of the main lease agreement for the current premises with a two-month notice period. This will significantly improve the company's profitability.

Trainers’ House Plc applied for corporate restructuring in December 2014. At the moment, the company’s corporate restructuring proceedings are in the process phase, the purpose of which is to prepare and confirm the restructuring programme. In accordance with the decision of Espoo District Court, the administrator submitted his report on the company’s financial situation on 27 March 2015. Next, the administrator must prepare a proposal for the company’s restructuring programme by 3 June 2015.

The company's customer work has continued in a glad way. The reactions of customers and key personnel have also been encouraging, and the company's key figures have shown positive development. Moreover, cooperation between the company, the administrator and the creditors has started off well.

The aim is that with the corporate restructuring programme, the company's financial obligations will be reduced to correspond to the current scope of business operations in such a way that the company's finances and cash flow recover quickly. This means significant cuts in the company’s expenses.

For more information, please contact:
Arto Heimonen, CEO, +358 404 123 456
Saku Keskitalo, IR, +358 404 111 111

REVIEW OF OPERATIONS

The company has continued the development of a product and service model that provides quantifiable results to customers. An increasing number of customer assignments include the Pulssi (Pulse) change management system. Also other change tools developed by the company have evolved. Other change support tools include, for example, Vaikutuskartta (Impact Map), which is used to clarify a customer company's goals. The change tools are used to identify and agree on operative indicators, as well as to crystallise repeated weekly activities through which the goals are achieved. Regarding Ignis services, sales services such as decision-maker mapping, scheduling decision-maker appointments, market research as well as marketing and sales outsourcing solutions are emphasised.

As reported previously, the company actively sought a solution concerning its premises and financial position during the last quarter of 2014, because the company’s current level of net sales and results do not, in the company’s assessment, enable the fulfilment of the company’s obligations under its financial agreements.

Because the company did not succeed in identifying an overall solution to the situation, the company’s Board of Directors decided that the best solution for the company and its stakeholders was for the company to apply for corporate restructuring. The company filed an application for corporate restructuring with Espoo District Court on 12 December 2014. An extraordinary general meeting decided on the continuation of the application for corporate restructuring on 20 January 2015 and Espoo District Court decided on the commencement of corporate restructuring on 28 January 2015 .

As part of the company's recovery programme, Trainers’ House Plc and its subsidiary, Ignis Oy, initiated codetermination negotiations on 12 December 2014. The negotiations were completed on 2 January 2015 and as a result, a total of 11 employment contracts in the Group were terminated. As a result of the revitalisation programme, the company's operating profit before non-recurring items turned into profit during the reporting period.

The change projects executed by Trainers’ House are usually connected with clarifying our customers’ business strategies, marketing the strategies, and implementing the strategies by boosting sales, enhancing customer service (for example, through service design) and developing the work of leaders and supervisors, along with the skills of subordinates. Managing work capacity through physical and mental coaching holds an important role in an increasing number of customer projects.

FINANCIAL PERFORMANCE

Net sales for the reporting period were down from the previous year. However, operating profit before non-recurring items showed a profit.

Net sales from continuing operations in the period under review came to EUR 1.8 million (EUR 2.2 million). Operating profit (EBIT) from continuing operations before non-recurring items was EUR 0.1 million, or 3.7% of net sales (EUR -0.2 million, or -8.2 %). The result for ongoing operations during the period was EUR -0.3 million, or -14.1% of turnover (EUR -1.9 million, or -87.6%).

Result

The comparative figures used to report operating profit include the reported operating profit and the operating profit before non-recurring items (EBIT). According to the company's management, these figures provide a more accurate view of the company's productivity.

The following table shows the Group's key figures (in thousands of euros unless otherwise noted):

	1-3/2015	1-3/2014
Net sales	1,814	2,154
Expenses:		
Personnel-related expenses	-1,004	-1,320
Other expenses	-707	-971
EBITDA	104	-137
Depreciation of non-current assets	-37	-40
Operating profit before non-recurring items	67	-177
Non-recurring items *)	-261	-1,643
EBIT	-194	-1,820
% of net sales	-10.7	-84.5
Financial income and expenses	-61	-66
Profit/loss before tax	-256	-1,886
Tax **)	1	0
Profit/loss for the period for the continuing operations	-255	-1,886
% of net sales	-14.1	-87.6

*) Non-recurring items in 2015 include costs relating to the codetermination negotiations and corporate restructuring. Non-recurring items in 2014 include a write-down in the Group's goodwill in the amount of EUR 1.6 million.

**) The tax included in the profit and loss account is deferred. Taxes recognised in the income statement have no effect on cash flow. On 31 March 2015, the company's balance sheet included deferred tax assets from losses carried forward in the amount of EUR 0.4 million. The deferred tax assets will expire during the period 2019 to 2023.

The following table shows the distribution of net sales from ongoing operations and the quarterly profit/loss from the start of 2014 (in thousands of euros).

	Q114	Q214	Q314	Q414	Q115
Net sales	2154	2128	1563	2158	1814
Operating profit before non-recurring items	-177	-262	-323	-261	67
Operating profit	-1820	-262	-1379	-2664	-194

LONG-TERM OBJECTIVES

The company’s long-term objective is profitable growth.

FINANCING, INVESTMENTS AND SOLVENCY

The amount of liabilities may change due to the corporate restructuring programme. The final amount of liabilities will only be confirmed when a possible restructuring programme has been approved. The figures below describe the situation before the approval of a possible restructuring programme.

In connection with the merger of Trainers’ House Oy and Satama Interactive Plc, the company concluded a loan agreement in the amount of EUR 40 million. At the end of the reporting period, the company had outstanding loans related to this agreement, which was renegotiated at the end of 2013, in the amount of EUR 1.7 million.

The company issued a new, low-interest subordinated loan of approximately EUR 1.2 million during 2013 and 2014. The interest rate of the subordinated loan is 3.0% until 31 December 2016. The interest is capitalised at the end of each year. From 1 January 2017, a cash interest payment of 5.0% will be payable subject to the availability of the distributable assets. The capital loan will mature on 31 December 2018. At the end of the reporting period, EUR 1.0 million of the loan had been subscribed.

Hybrid bond

On 15 January 2010, Trainers’ House Plc issued a domestic hybrid bond in the amount of EUR 5.0 million. Interest of EUR 1.0 million related to the hybrid bond was recognised in shareholders’ equity.

According to the terms of the hybrid bond, the company has the right to decide, subject to certain limitations specified in the terms, either to pay the interest on the hybrid bond annually or to postpone these payments. Interest in the amount of EUR 0.5 million was paid to the subscribers on 21 January 2011 and EUR 0.5 million on 20 January 2012. The interest paid reduces the non-restricted equity and is not recognised as income.

In accordance with its stock exchange release dated 17 December 2012, Trainers' House has decided to defer interest payments on the hybrid loan for the time being. The purpose of the deferment of interest payments is to strengthen the company's financial position and to fulfil the terms of its loan agreement. According to the terms of the hybrid bond, the company must pay the deferred interest and any interest accrued on it if the company pays dividends in excess of the minimum dividend stipulated in the Limited Liability Companies Act, or otherwise distributes equity to its shareholders.

In January 2014, the company made an offer to hybrid bond bearers to convert the hybrid bond into a low-interest loan instrument with secondary priority as compared with a senior loan and with the same key terms and conditions as for a subordinated loan. The company's financiers, representing a total of approximately EUR 4.1 million of the hybrid bond's capital, accepted the offer.

The company has agreed on an opportunity to convert a maximum of EUR 2.0 million of the capital of these loan instruments to subordinated loans as specified in the Limited Liability Companies Act, if deemed necessary to support the parent company's equity. The conversion had been executed in full during 2014.

Cash flow and financing

Cash flow from operating activities before financial items totalled EUR -0.0 million (EUR -0.3 million), and after financial items EUR -0.0 million (EUR -0.3 million).

Cash flow from investments totalled EUR 0.0 million (EUR -0.0 million). Cash flow from financing came to EUR -0.0 million (EUR -0.3 million).

Total cash flow amounted to EUR -0.0 million (EUR -0.6 million).

On 31 March 2015, the Group's liquid assets totalled EUR 1.6 million (EUR 2.0 million). The equity ratio was 14.9% (34.4%). Net gearing was 296.8% (92.0%). At the end of the reporting period, the Group had interest-bearing liabilities in the amount of EUR 7.1 million (EUR 7.4 million).

Financial risks

The company's fulfilment of the covenants of its financial instruments requires a successful corporate restructuring process and the improvement of the company's operational profitability

Interest rate risk is managed by covering some of the risk with hedging agreements as necessary. A bad-debt provision, which is booked on the basis of ageing and case-specific risk analyses, covers risks to accounts receivable.

In financial risk management, liquidity remained the key focus. Due to the decrease in net sales and the excessive costs for premises and financing in relation to the company's current level of net sales, the financing arrangements concluded in 2013 proved inadequate, and the company decided to file an application for corporate restructuring on 12 December 2014. Corporate restructuring is under way, and it remains the company's aim to secure sufficient financing to continue the Group's operations. Failure of the restructuring proceedings could lead to the bankruptcy of the company.

SHORT-TERM BUSINESS RISKS AND FACTORS OF UNCERTAINTY

Risks in the company's operating environment have remained unchanged. On account of the project-based nature of the company's operations, the order life cycle is short, which makes it more difficult to estimate future developments. Long-term visibility remains limited due to the general economic situation. The company's financial situation is critical and taking care of the company's liabilities under financial agreements requires improvement in the profitability of the company's operational business as well as a successful corporate restructuring process.

Short-term risks

The Group's goodwill, other intangible assets and deferred tax assets, as recognised in the balance sheet, were re-tested for impairment at the end of the quarter. No write-downs were judged necessary from the results of this impairment testing.

Trainers' House Plc's Group balance sheet has EUR 1.7 million of goodwill. The balance sheet value of trademarks is EUR 7.6 million. If the company's profitability should fail to develop as predicted, or if external factors beyond the company's control, such as interest rates, should change significantly, there is a risk that some of the Group's goodwill and other intangible assets may have to be written down. Such a write-down would not affect the company's cash flow.

At the end of the period under review, Trainers' House Plc's balance sheet included deferred tax assets from losses carried forward in the amount of EUR 0.4 million. The deferred tax assets will expire between 2019 and 2023.

The company's new loan agreement, under which there were loans in an amount of EUR 1.7 million at the end of the reporting period, includes standard covenants concerning operating profit before depreciation and cash in hand.

If the company's profitability does not improve, the covenants will not be fulfilled. The company's fulfilment of the covenants of its financial instruments requires a corporate restructuring process and an improvement in the company's operational profitability.

Risks are discussed in more detail in the annual report and on the company's website, at www.trainershouse.fi > Investors.

PERSONNEL

At the end of March 2015, the Group employed 66 (81) people.

DECISIONS OF THE EXTRAORDINARY GENERAL MEETING

An extraordinary general meeting of Trainers' House Plc was held in Espoo on 20 January 2015. The Board of Directors had called an extraordinary general meeting in accordance with the provisions of the Companies Act to discuss the continuation of the corporate restructuring application that was filed by the company on 12 December 2014.

In accordance with the proposal of the Board of Directors, the extraordinary general meeting decided that the corporate restructuring application filed by the company was to be continued.

DECISIONS REACHED AT THE ANNUAL GENERAL MEETING

The Annual General Meeting of Trainers' House Plc was held on 25 March 2015 in Espoo.

In accordance with the proposal of the Board of Directors, the Annual General Meeting decided that no dividend be paid for the financial year 2014. In accordance with the proposal of the Board of Directors, the Annual General Meeting decided that the loss shown by the parent company's financial statements for the financial period will be entered in the company's profit and loss account.

The Annual General Meeting adopted the company’s financial statements and discharged the CEO and the members of the Board of Directors from liability for the period 1 January to 31 December 2014.

It was confirmed that the Board of Directors consists of three (3) members. Aarne Aktan, Jarmo Hyökyvaara and Jari Sarasvuo were re-elected as members of the Board of Directors. In its assembly meeting held after the AGM, the Board of Directors elected Aarne Aktan as its chairman.

The Annual General Meeting decided on a monthly emolument for each Board member of EUR 1,500 and of EUR 3,500 for the Chairman of the Board.

Authorised Public Accountants Ernst & Young Oy were elected as the company’s auditors. Auditor’s fees are paid on the basis of a reasonable invoice.

The Annual General Meeting decided to continue the measures already started by the company as well as the corporate restructuring proceedings aimed at the recovery of the company's financial position.

SHARES AND SHARE CAPITAL

The shares of Trainers’ House Plc are listed on NASDAQ OMX Helsinki Ltd under the symbol TRH1V.

At the end of the period under review, Trainers’ House Plc had issued 68,016,704 shares and the company’s registered share capital amounted to EUR 880,743.59. No changes took place in the share capital or number of shares during the period under review.

Share performance and trading

In the period under review, 5.0 million shares in total, or 7.4% of the average number of all company shares (3.5 million shares, or 5.2%), were traded on the Helsinki stock exchange, for a value of EUR 0.2 million (EUR 0.2 million). The period’s highest share quotation was EUR 0.04 (EUR 0.08), the lowest EUR 0.02 (EUR 0.05) and the closing price EUR 0.04 (EUR 0.05). The weighted average price was EUR 0.04 (EUR 0.07). At the closing price on 31 March 2015, the company’s market capitalisation was EUR 2.7 million (EUR 3.4 million).

PERSONNEL OPTION PROGRAMMES

Trainers’ House Plc has three option programmes for its personnel, included in the personnel’s commitment and incentive scheme.

The Annual General Meeting held on 21 March 2012 decided to initiate an employee option programme for key employees in Trainers’ House and its subsidiaries. The number of optionrights granted shall not exceed 5,000,000, and the option rights shall entitle their holders to subscribe for no more than 5,000,000 new shares or treasury shares in total. Of the warrants, 3,000,000 will be entitled 2012A and 2,000,000 will be entitled 2012B. The subscription price for the warrants is EUR 0.16. The subscription period for shares converted under warrant 2012A is from 1 September 2013 to 31 December 2014 and for shares converted under warrant 2012B from 1 September 2014 to 31 December 2015. The options have not yet been offered.

The company’s Board of Directors decided on 5 August 2013 to adopt a new option programme under the authorisation of the annual general meeting on 21 March 2012. The number of optionrights granted shall not exceed 7,500,000, and the option rights shall entitle their holders to subscribe for no more than 7,500,000 new shares or treasury shares in total. 2,500,000 of the converted shares will be under the warrant 2013A and the subscription period for the converted shares is from 1 January 2015 to 1 January 2018. 2,500,000 of the converted shares will be under the warrant 2013B and the subscription period for the converted shares is from 1 January 2016 to 1 January 2018. 2,500,000 of the converted shares will be under the warrant 2013C and the subscription period for the converted shares is from 1 January 2017 to 1 January 2018. The subscription price for each warrant is EUR 0.09. The total number of warrants granted to the personnel is 5.0 million. A total cost of EUR 0.0 million has been expensed for the 2015 financial year for options.

The company’s Board of Directors decided on 18 December 2013 to adopt a new option programme under the authorisation of the Annual General Meeting on 21 March 2012. The number of option rights granted shall not exceed 5,250,000, and the option rights shall entitle their holders to subscribe for no more than 5,250,000 new shares or treasury shares in total. The converted shares will be under the warrant 2013D. The subscription period for shares converted under the warrant is from 1 January 2018 to 31 December 2018, and the subscription price for each warrant is EUR 0.06. The options have not yet been offered.

CONDENSED FINANCIAL STATEMENTS AND NOTES

The interim report was compiled in accordance with the IAS 34 standard. This interim report has been prepared in accordance with the IFRS standards and interpretations adopted in the EU, valid on 31 December 2014.

In producing this interim report, Trainers’ House has applied the same accounting principles for key figures as in its 2014 financial statements. The calculation of key figures is described on page 92 of the Financial Statements included in the Annual Report 2014.

The figures given in the interim report are unaudited.

INCOME STATEMENT, IFRS (kEUR)

	Group 01/01-31/03/15	Group 01/01-31/03/14	Group 01/01-31/12/14
CONTINUING OPERATIONS			
NET SALES	1,814	2,154	8,003
Other income from operations	160	127	648
Costs:			
Materials and services	-124	-213	-691
Personnel-related expenses	-1,206	-1,320	-5,320
Depreciation	-37	-40	-153
Impairment		-1,643	-5,052
Other operating expenses	-802	-885	-3,560
Operating profit/loss	-194	-1,820	-6,126
Financial income and expenses	-61	-66	-268
Profit/loss before tax	-256	-1,886	-6,394
Tax *)	1	0	420
PROFIT/LOSS FOR THE PERIOD CONTINUING OPERATIONS	-255	-1,886	-5,974
Discontinued operations			250
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-255	-1,886	-5,724
Profit/loss attributable to:			
Owners of the parent company	-255	-1,886	-5,724
Total comprehensive income attributable to:			
Owners of the parent company	-255	-1,886	-5,724
Earnings per share, undiluted:			
EPS result for the period from continuing operations	-0.00	-0.03	-0.09
EPS result for the period from discontinued operations			0.00
EPS attributable to equity holders of the parent company	-0.00	-0.03	-0.08
EPS result for the period	-0.00	-0.03	-0.08

Diluted earnings per share are the same as undiluted earning per share.

*) The tax included in the income statement is deferred.

BALANCE SHEET IFRS (kEUR)

	Group 31/03/15	Group 31/03/14	Group 31/12/14
ASSET			
Non-current assets			
Property, plant and equipment	104	238	137
Goodwill	1,653	2,971	1,653
Other intangible assets	7,557	9,664	7,561
Other financial assets	4	4	4
Other receivables		27	12
Deferred tax receivables	383	381	382
Total non-current assets	9,701	13,285	9,749
Current assets			
Inventories	10	10	10
Accounts receivables and other receivables	1,165	1,689	1,455
Cash and cash equivalents	1,568	2,024	1,578
Total current assets	2,743	3,723	3,043
TOTAL ASSETS	12,445	17,008	12,792
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company			
Share capital	881	881	881
Premium fund	216	216	216
Distributable non-restricted equity fund	31,872	31,872	31,872
Other equity fund	900	900	900
Retained earnings	-32,021	-28,034	-31,780
Total shareholders' equity	1,847	5,835	2,088
Long-term liabilities			
Deferred tax liabilities	1,511	1,929	1,511
Other long-term liabilities	6,050	6,285	6,044
Accounts payable and other liabilities	3,037	2,960	3,150
Total liabilities	10,597	11,173	10,704
TOTAL SHAREHOLDERS' EQUITY AND	12,445	17,008	12,792

LIABILITIES

CASH FLOW STATEMENT, IFRS (kEUR)

	Group 01/01-31/03/15	Group 01/01-31/03/14	Group 01/01-31/12/14
Profit/loss for the period	-255	-1,886	-5,724
Adjustments to profit/loss for the period	187	1,773	5,176
Change in working capital	67	-170	363
Financial items	1	-23	-96
Cash flow from operations	-0	-306	-281
Investments in tangible and intangible assets		-37	-37
Repayment of loan receivables	15	15	30
Cash flow from investments	15	-22	-6
Withdrawal of long-term loans	2	1	347
Repayment of long-term loans		-250	-1,000
Repayment of finance lease liabilities	-26	-30	-111
Cash flow from financing	-24	-278	-765
Change in cash and cash equivalents	-10	-606	-1,052
Opening balance of cash and cash equivalents	1,578	2,630	2,630
Closing balance of cash and cash equivalents	1,568	2,024	1,578

CHANGE IN SHAREHOLDERS’ EQUITY (kEUR)
Equity attributable to equity holders of the parent company

A. Share capital
B. Premium fund
C. Distributable non-restricted equity
D. Other equity fund
E. Retained earnings
F. Total

	A.	B.	C.	D.	E.	F.
Equity 01/01/2014	881	4,253	31,872	0	-30,215	6,791
Other comprehensive income					-1,886	-1,886
Decrease of share premium fund to cover losses		-4,038			4,038	0

Sharebased payments					30	30
Hybrid bond transferred from non-current liabilities				900		900
Equity 31/03/2014	881	216	31,872	900	-28,034	5,835
Equity 01/01/2015	881	216	31,872	900	-31,780	2,088
Other comprehensive income					-255	-255
Sharebased payments					14	14
Equity 31/03/2015	881	216	31,872	900	-32,021	1,847

RESTRUCTURING PROVISION (kEUR)	Group 01/01-31/03/15	Group 01/01-31/03/14	Group 01/01-31/12/14
Provisions 1 January	200	222	222
Provisions increased	78		
Provisions used			-21
Provisions 31 March /31 December	278	222	200

PERSONNEL	Group 01/01-31/03/15	Group 01/01-31/03/14	Group 01/01-31/12/14
Average number of personnel	70	81	88
Personnel at the end of the period	66	81	87

COMMITMENTS AND CONTINGENT LIABILITIES (kEUR)	Group 31/03/15	Group 31/03/14	Group 31/12/14
Collaterals and contingent liabilities given for own commitments *)	7,407	8,860	7,805

*) after the reporting period on 14 April 2015, the company gave notice of termination of the main lease agreement for the current premises with a two-month notice period. The company estimates that this will significantly improve the company's profitability. The exact impact will be clarified as part of the restructuring programme.

OTHER KEY FIGURES

	Group 31/03/15	Group 31/03/14	Group 31/12/14
Equity-to-assets ratio (%)	14.9	34.4	16.5
Net gearing (%)	296.8	92.0	263.1
Shareholders' equity/share (EUR)	0.03	0.09	0.03
Return on equity (%)	-113.1	-60.1	-134.6
Return on investment (%)	-40.6	-34.4	-49.9

Return on equity and return on investment have been calculated for the previous 12 months.

Espoo, 23 April 2015

TRAINERS' HOUSE PLC

BOARD OF DIRECTORS

For more information, please contact:
Arto Heimonen, CEO, tel. +358 40 412 3456
Saku Keskitalo, Investor Relations, tel. +358 40 411 1111

DISTRIBUTION
OMX Nordic Exchange, Helsinki
Main media
www.trainershouse.fi > Investors